GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3295
ANSWERED ON:12.05.2006
CASH RESERVE RATIO
Scindia Shri Jyotiraditya Madhavrao

Will the Minister of FINANCE be pleased to state:

(a) whether Bankers have been pressing for a cut in Cash Reserve Ratio (CRR) from the existing 5 per cent to 3 per cent;

(b) if so, the details thereof;

(c) the decision of the Government thereon; and

(d) the extent to which it is likely to increase the flexibility in interest rates especially in small savings?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a),(b),(c) & (d): The Reserve Bank of India (RBI) has been pursuing the medium term objective of reducing the Cash Reserve Ratio (CRR) to the statutory minimum level of 3.0% of net demand and time liabilities(NDTL). The CRR has gradually come down from 11.0 % of NDTL in 1998 to 4.5% in June,2OO3. It marginally increased to 5.0% of NDTL since 2nd October;2004. Since then, there has been no change in the prescribed CRR.

RBI has been closely monitoring the overall liquidity conditions and has policy instruments, which it could use flexibly to ensure that appropriate liquidity is maintained in the system so that all legitimate requirements of credit are met consistent with the objective of price and financial stability.

The deposits rates of commercial banks, except those prescribed for saving bank accounts have been deregulated since October, 1997 and banks are presently free to determine their own deposit rates, depending on their commercial judgement.